

STATE OF CALIFORNIA

Minutes of the meeting of the  
State Lands Commission  
Sacramento, California  
August 8, 1978

APPEARANCES

Commissioners Present:

Sid McCausland, Deputy Director of Finance,  
Alternate for Commissioner Roy M. Bell, Director  
of Finance  
Betty Jo Smith, Staff Counsel, Alternate for  
Commissioner Mervyn M. Dymally, Lieutenant Governor  
John Jervis, representing Kenneth Cory, Chairman -  
Did Not Vote

Staff Members in Attendance:

William F. Northrop, Executive Officer  
W. M. Thompson, Chief, Extractive Development--  
Long Beach Operations  
Jack Rump, Staff Counsel  
Michael Crow, Staff Counsel  
Diane Jones, Secretary

Representing the Office of the Attorney General:

N. Gregory Taylor, Assistant Attorney General  
Alan Hager, Deputy Attorney General

Mr. Hager stated a financial statement was submitted by Petroleum Energy Distribution and they are now in the process of obtaining a letter of credit from United California Bank. (A letter of credit is required before the contract commences.) Mr. Hager explained that if Petroleum Distribution does not have an adequate financial statement, the staff would come back to the Commission with the next bid. It was noted that two other bidders had submitted financial statements.

Ms. Betty Jo Smith asked if the staff had heard from Powerine Oil Company, the present contractor. Mr. Hager stated it is staff's intention to notify Powerine as soon as staff is assured they have a bonafide offer for the subject crude oil sales contract.

Mr. William F. Northrop, Executive Officer, submitted for the record a letter Attached as Exhibit I, dated August 3, 1978, from Homer Spencer, Senior Vice President, Commonwealth Oil Refining Company, Inc. to Mr. William F. Northrop advising that litigation had been filed against CORCO preventing them from participating in the bid because of the long-term contract nature of the commitment.

After further discussion, Ms. Smith moved and Mr. McCausland seconded that the recommendation as presented in the attached calendar item No. 1 be approved - VOTE 2-0.

Attachment: Calendar Item 1

MINUTE ITEM

This Calendar Item No. 1  
was approved as minute item  
No. 1 by the State Lands  
Commission by a vote of 2  
to 0 at its 8/8/78  
meeting.

MINUTES OF THE STATE LANDS COMMISSION  
MEETING OF AUGUST 8, 1978

The special meeting of the State Lands Commission was called to order by Acting Chairman Sid McCausland, representing Commissioner Roy M. Bell, Director of Finance, at 10:40 a.m. in Room 2170, State Capitol. Also present were Commission-Alternates Betty Jo Smith, representing Commissioner Mervyn M. Dymally, Lieutenant Governor; and John Jervis, representing Chairman Kenneth Cory. It is noted for the record that Mr. Jervis did not vote during this meeting.

The subject of this special meeting was to approve an award to the successful bidder of the crude oil sales contract for sale of 8 percent of the crude oil allocated to the Long Beach Harbor Department tidelands parcel, City of Long Beach. This contract will not be awarded until the present purchaser of the 8 percent portion of the oil, Powerine Oil Company, has been given the opportunity to meet and fails to meet within 15 days the price offered by the successful bidder.

Since each bid received as at the ceiling price, Mr. Alan Hager, Deputy Attorney General, explained that the method of determining the successful bidder was by drawing lots--the first lot drawn was Petroleum Energy Distribution.

Mr. W. M. Thompson, Chief, Extractive Development, Long Beach Operations, listed for the record the four bids which were received:

Petroleum Energy Distribution  
700 South Flower, Suite 1220  
Los Angeles, CA 90017

Century Oil Management, Inc.  
1538 North Century Boulevard  
Santa Ana, CA 92703

McCauley Oil Company  
Box 16014  
Long Beach, CA 90806

Sunland Refining  
1017 North La Cienega  
Los Angeles, CA 90069

Mr. Hager stated a financial statement was submitted by Petroleum Energy Distribution and they are now in the process of obtaining a letter of credit from United California Bank. (A letter of credit is required before the contract commences.) Mr. Hager explained that if Petroleum Distribution does not have an adequate financial statement, the staff would come back to the Commission with the next bid. It was noted that two other bidders had submitted financial statements.

Ms. Betty Jo Smith asked if the staff had heard from Powerine Oil Company, the present contractor. Mr. Hager stated it is staff's intention to notify Powerine as soon as staff is assured they have a bonafide offer for the subject crude oil sales contract.

Mr. William F. Northrop, Executive Officer, submitted for the record a letter Attached as Exhibit I, dated August 3, 1978, from Homer Spencer, Senior Vice President, Commonwealth Oil Refining Company, Inc. to Mr. William F. Northrop advising that litigation had been filed against CORCO preventing them from participating in the bid because of the long-term contract nature of the commitment.

After further discussion, Ms. Smith moved and Mr. McCausland seconded that the recommendation as presented in the attached calendar item No. 1 be approved - VOTE 2-0.

Attachment: Calendar Item 1

CALENDAR ITEM

8/78  
Thompson

1.

APPROVAL OF THE AWARD OF THE CRUDE OIL  
SALES CONTRACT FOR SALE OF 8 PERCENT OF THE  
CRUDE OIL, LONG BEACH HARBOR DEPARTMENT  
TIDELANDS PARCEL, CITY OF LONG BEACH,  
LOS ANGELES COUNTY

At its regular meeting on July 19, 1978, the Commission approved specifications and forms for the notice inviting bids, the bid and the crude oil sales contract for sale of 8% of the crude oil allocated to the Long Beach Harbor Department Tidelands Parcel in the City of Long Beach. Included in those specifications was the requirement that the successful bidder for the sell-off oil shall be the responsible bidder making a commitment to pay the price specified in the sell-off contract. In the event that two or more responsible bidders make identical commitments to pay the contract price, the successful bidder for the sell-off oil shall be determined by lot from among all those responsible bidders making such identical commitment.

The City of Long Beach has sent out notices for the bidding of the 8% portion of crude oil allocated to Long Beach Harbor Department Tidelands Parcel. Bids were requested to be returned for opening by the City on August 4, 1978.

The Commission's staff will report on the results of that bidding, and in cooperation with the City of Long Beach will make a recommendation to the Commission relative to award of the contract to a successful bidder.

In accordance with Section 10(a) of Chapter 29, Statutes of 1956, 1st E.S., future contracts between the City of Long Beach and any other person, relating to the taking of oil from the Long Beach tidelands shall be of no effect unless and until approved by the State Lands Commission. The contract that the City proposes to award to the successful bidder is attached as Exhibit "A".

In accordance with the crude oil supplier/purchaser rule of the Federal Department of Energy, Powerline Oil Company, the present purchaser, will be given 15 days in which to meet the offer of the successful bidder. If Powerline elects to meet this offer, which would be to pay ceiling price on price controlled oil until June 1, 1979, and pay the LBOD contract price for uncontrolled oil during this period,

CALENDAR ITEM (CONT'D.)

the 8% portion of the crude oil must continue to be delivered to Powerine by virtue of the crude oil supplier/ purchaser rule. If Powerine does not elect to meet the offer, delivery is expected to commence to the successful bidder on or about September 1, 1978.

IT IS RECOMMENDED THAT THE COMMISSION, ACTING PURSUANT TO SECTION 10(a) OF CHAPTER 29, STATUTES OF 1956 1ST. E.S., APPROVE THE PROPOSED CONTRACT FOR THE SALE OF THE 8% PORTION OF THE OIL ALLOCATED TO THE LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL, WHICH CONTRACT IS ATTACHED HERETO AS EXHIBIT "A", AND APPROVE THE AWARDED OF THAT CONTRACT BY THE CITY OF LONG BEACH TO THE SUCCESSFUL BIDDER RECOMMENDED BY THE CITY AND THE COMMISSION'S STAFF, PROVIDED THAT THIS CONTRACT SHALL NOT BE AWARDED UNTIL THE PRESENT PURCHASER OF THE 8% PORTION OF THE OIL HAS BEEN GIVEN THE OPPORTUNITY TO MEET AND FALLS TO MEET WITHIN 15 DAYS THE PRICE OFFERED BY THE SUCCESSFUL BIDDER.

EXHIBIT "A" (1)

PETROLEUM ENERGY DISTRIBUTION  
700 SOUTH FLOWER SUITE 1220  
LOS ANGELES, CALIFORNIA 90017

August 4, 1978

City of Long Beach  
333 West Ocean Boulevard Plaza Level  
Long Beach, California 90802

Attention: Office of the City Clerk

Re: Crude Oil Sales, City of Long Beach Harbor Department Tidelands  
Parcel Sell Off Oil ( 8% Increment ) of August 4, 1978

Gentlemen:

Attached hereto is the properly filled out, executed Bid for the above referenced crude oil along with our "Good Faith" Cashiers Check No. 10413724 in the amount of \$24,000.00 drawn on the United California Bank dated August 3, 1978 payable to the City of Long Beach as specified in your "Notice Inviting Bids".

In the event this firm is the successful bidder, Petroleum Energy Distribution will comply with those terms and conditions as set out in the sample Crude Oil Sales Contract as furnished.

Very truly yours,

PETROLEUM ENERGY DISTRIBUTION

By J.D. Ford

J.D. Ford

DEL AMO FINANCIAL CENTER OFFICE 21545 HAWTHORNE BLVD. TORRANCE, CA 90503

№ 10413724

18.21/223  
1220

DATE Aug 3, 1978

PAY TO THE ORDER OF \$ 24,000 00/100 \*24,000 00\*

CITY OF LONG BEACH

CASHIERS CHECK

8 1/2 Increments fo Crude Oil

*[Signature]*  
AUTHORIZED SIGNATURE

⑈12200021223098950⑈



CITY ATTORNEY  
Long Beach, California 90802

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

BID  
FOR THE  
1978 CRUDE OIL SALES CONTRACT  
SELL-OFF OIL  
(LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL)  
(8% INCREMENT)

PETROLEUM ENERGY DISTRIBUTION  
700 South Flower, Suite 1220  
Los Angeles, California 90017

August 4, 1978

TO: Office of the City Clerk  
City of Long Beach  
333 West Ocean Blvd., Plaza Level  
Long Beach, California 90802

In accordance with your "NOTICE INVITING BIDS FOR THE  
1978 CRUDE OIL SALES CONTRACT (LONG BEACH HARBOR DEPARTMENT  
TIDELANDS PARCEL) SELL-OFF OIL (8% INCREMENT)", which bids are  
to be submitted to the Office of the City Clerk, City of  
Long Beach, by 10:00 o'clock A.M., on the 4th day  
of August, 1978, we offer to execute the  
1978 Crude Oil Sales Contract (Long Beach Harbor Department  
Tidelands Parcel) sell-off oil (8% Increment).

For all oil subject to Federal Government price controls,  
Purchaser shall pay the maximum price permitted by law.

CITY ATTORNEY  
Long Beach, California 90802

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

For all oil not subject to price controls, Purchaser shall pay a price computed in accordance with Section 18.3 of the Drilling and Operating Contract (Long Beach Harbor Department Tidelands Parcel), dated March 21, 1954, and which Section 18.3 is incorporated herein by reference thereto.

The price for all oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel.

Enclosed herewith is our certified or cashier's check in the amount of Twenty Four Thousand Dollars (\$24,000.00), payable to the City of Long Beach, which is delivered as a deposit as evidence of our good faith, and subject to all terms and conditions relating to such deposit as set forth in the "NOTICE INVITING BIDS FOR THE 1978 CRUDE OIL SALES CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL) SELL-OFF OIL (8% INCREMENT)".

PETROLEUM ENERGY DISTRIBUTION

SIGNATURE J.D. Ford  
BUSINESS ADDRESS 700 South Flower, Suite 1220  
Los Angeles, California 90027



COMMONWEALTH OIL REFINING COMPANY, INC.  
 245 PARK AVENUE NEW YORK, NEW YORK 10017  
 TELEPHONE 986-8191 • CABLE COMMONREFCO, NEW YORK CITY

HOMER L. SPENCER  
 Senior Vice President

August 3, 1978

Mr. William F. Northrop  
 Executive Officer  
 California State Lands  
 Commission  
 1807 13th Street  
 Sacramento, California 95814

Dear Mr. Northrop:

On August 2, 1978 Exxon, Mobil and Texaco jointly filed suit in Federal District Court against the Department of Energy's Order, dated July 20, 1978, whereby Commonwealth Oil was granted certain interim entitlement relief for purchase and subsequent shipment of heavy California crude oil to its refining facilities in Puerto Rico. Commonwealth Oil had fully intended to participate in the State of California's August 4, 1978 crude oil bid, but this litigation has contravened our intentions. While Commonwealth fully expects the Department of Energy to prevail in defending this lawsuit and, thence, continue their acknowledged policy of encouraging California heavy crude production, at the moment, we are precluded from participating in the bid because of the long term contract nature of the commitment.

However, we wish to thank you very much for your continuing assistance and request that you send information as it becomes available on any subsequent State of California crude oil bids.

Yours truly,

Homer L. Spencer  
 Senior Vice President

HLS/mjw

RECEIVED  
 AUG 7 1978  
 STATE LANDS COMM.